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UNIFORM SYSTEM OF ACCOUNTS FOR WATER COMPANIES, PRESCRIBED BY THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CONNECTICUT

First Issue, Effective
January 1, 1922

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Prepared Under the Direction of The Commission by Edward Field, Auditor and Statistician.

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Docket No. 3727

State of Connecticut,
Public Utilities Commission,
Hartford.

In accordance with the provisions of Chapter 199 of the Public Acts of 1921, this Commission hereby prescribes the method for keeping the accounts pertaining to water companies, which method shall be known and designated as, "Uniform System of Accounts for Water Companies, Prescribed by The Public Utilities Commission of The State of Connecticut," a copy whereof is hereto annexed.

It is hereby ordered that on and after January 1, 1922, every water company as defined herein will be required to carry on its books the accounts herein prescribed or defined, in so far as the same are pertinent to the facts and circumstances of said utility, and to keep such accounts in conformity with the definition and instructions contained herein.

For purposes of efficiency of administration and operation, any utility may, unless or until otherwise ordered, keep upon its books any temporary or experimental accounts, and any accounts covering particular divisions of its operations, provided that such temporary, experimental, or divisional account shall not impair the integrity of any account herein prescribed.

It is further ordered: That all accounts herein prescribed shall be kept by the double-entry method of bookkeeping, but this requirement is not intended to apply to purely statistical accounts.

That the term "water company" as referred to herein shall include every corporation, company, association, joint stock association, partnership, or person or lessee thereof owning, maintaining, operating, managing, or controlling any pond, lake, reservoir or distributing plant employed for the purpose of supplying water for general domestic use in any town, city or borough or portion thereof within this state, and every municipality or department thereof owning, leasing, operating or managing a plant for the supplying or furnishing of water for said purpose in said state.

Dated at Hartford this first day of December, A. D. 1921.

RICHARD T. HIGGINS,
CHARLES C. ELWELL,
JOSEPH W. ALSOP,
Public Utilities Commission.

Hartford County, ss.

Hartford, Conn., December 1, 1921.

I hereby certify that the foregoing is a true copy of the original order as on file and record in this office.

Attest: Henry F. Billings, *Secretary.*

GENERAL INSTRUCTIONS

By the provisions of the general laws it is provided that the Public Utilities Commission shall annually, on or before the 31st day of December, furnish to every water company, as hereinbefore defined, blanks for annual reports in such form as such commission may prescribe.

Included herein will be found the several schedules which will be contained in the form of report which will be prescribed by the commission until further notice.

TIME FOR FILING REPORTS

Each such company shall return one of such reports to the commission on or before the 31st day of March next following, with all questions therein fully answered.

PERIOD COVERED BY REPORTS

All reports shall be for the year ending the 31st day of December and shall be signed and sworn to by the president, or vice-president, and treasurer, or by a majority of the trustees or receivers making the same, in the case of privately owned companies, and in the case of municipalities or departments thereof by the *general superintendent of the plant and by such other person or persons as may be designated by such municipality or department.*

REPORTS TO BE IN ACCORDANCE WITH FORM PRESCRIBED

Every water company as hereinbefore defined shall make such annual reports strictly according to the form provided, and if it shall find it impracticable to answer all the items in detail as required, it shall state in its report the reasons why such details cannot be given, but no such water company shall be excused from giving such details for the reason that it does not keep its accounts in such manner as will enable it to do so.

FIXED CAPITAL TO BE ENTERED AND RETAINED ON BOOKS AT COST

All charges to fixed capital accounts shall be at the actual cost of the property acquired, at the time of its acquisition. A *bona fide* contract or agreement of purchase and sale between entirely separate parties shall be *prima facie* evidence of actual cost. The term " cost " includes not only the cost of labor, material, and supplies directly employed or consumed in the construction and installation of fixed capital, but also the cost of preliminary plans and surveys and

such portion of the expenses for engineering and plant supervision and of general expenses as may be chargeable to the fixed capital accounts under an equitable plan for apportionment of such expenses. When the consideration actually given for anything with respect to which a charge is made to any fixed capital or other property account is other than money, the actual consideration shall be described in the entry with sufficient fullness and particularity to identify it, and the amount charged shall be the actual money value of such consideration at the time of the transaction.

APPRAISED VALUES NOT TO BE CARRIED TO BOOKS OF ACCOUNT

No adjustment of any plant accounts shall be made on the basis of any appraised value. Should the commission at any time find a certain value of the property for rate making or other purposes, such finding does not warrant changing the books of account unless specifically so directed. The books are intended to show at all times the original cost to the company of its existing property less such credits as may have been made on account of property abandoned, sold, reconstructed or conveyed.

NUMBERS NOT A PART OF TITLE OF ACCOUNT

The numbers preceding the several accounts provided in this system of accounts are solely for convenience of reference, and should not be regarded as a part of the title of such account.

ACCOUNTS AS FEATURES IN RATE MAKING

In prescribing this system of accounts the commission will not feel bound to approve the several items set out in any account, either as to amount or character, for rate making purposes. The classification of accounts is designed to set out the facts in connection with the utilities fixed capital income, expenses, etc., and the commission when engaged in making or approving rates will determine from the facts in each case just what consideration shall be given to the various items in the several accounts.

FIRST ENTRIES MUST ENABLE IDENTIFICATION

The first entry relating to anything to which a charge or a credit is made to any fixed capital or investment account shall describe the property in respect of which the entry is made in such fullness and particularity as to enable its identification.

The classification of accounts herein prescribed has been prepared to cover as nearly as possible the accounting conditions required by water companies as well as the purposes of the commission. It is probable that questions will arise in connection with the application of the system that will require further explanation and elucidation.

In any such case the accounting officers of the several water companies under the jurisdiction of the commission are requested to communicate with the commission for such further information and instruction that may be required or necessary in connection with accounting details.

(House Bill No. 948)

CHAPTER 199

AN ACT CONCERNING ANNUAL REPORTS BY MUNICIPALITIES OWNING PUBLIC UTILITIES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

The public utilities commission shall, annually, on or before the thirty-first day of December, furnish to every municipality or department thereof owning, leasing, operating or managing a plant for the supplying or furnishing of any public utility, blanks for annual reports in such form as said commission may prescribe. Every such municipality or department shall return one of such reports to the commission on or before the thirty-first day of March next following, with all questions thereon fully answered. All reports shall be for the year ending the thirty-first day of December and shall be sworn to by the general superintendent of the plant or utility for which the report is required and by such other person or persons as may be designated by such municipality or department. Every such municipality or department shall make such annual reports strictly according to the form provided and if it shall find it impracticable to answer all the items in detail as required, the report shall state the reasons why such details cannot be given; but no such municipality or department shall be excused from giving such details for the reason that it does not keep its accounts in such manner as will enable it to do so, and said commission may prescribe the method for keeping the accounts pertaining to such utility and all other utilities reporting to said commission. When any such report seems to the commission defective or erroneous it may notify the municipality making the same, and require the amendment of such report within fifteen days from the time of giving such notice; and the commission may examine the officers, agents and employees, books, records, accounts, vouchers, plant and equipment of such municipality or department pertaining to such utility and may correct such items in such report as, upon such examination, the commission may find ought to be corrected. No report shall be required hereunder for the year ending December 31, 1921.

Approved, May 18, 1921.

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TEXT PERTAINING TO BALANCE SHEET ACCOUNTS

ASSETS

101-105. FIXED CAPITAL.

This account shall include the cost of the property having an expectation of life in service of more than one year, which is devoted to the operations conducted by the accounting company, less deductions for property abandoned, sold or otherwise retired.

For details see "Fixed Capital Accounts."

110. CASH.

This account shall include all money coming into the possession of the accounting company in which it has a beneficial interest. This covers coin of the United States, United States Treasury notes, gold and silver certificates and greenbacks, and bank bills payable to bearer on demand; also all bank credits, checks and drafts receivable subject to satisfaction or transfer upon demand (whether payable to bearer or to order.)

111. NOTES RECEIVABLE.

This account shall include the ledger value of all notes and bills receivable which are the property of the accounting company and upon which solvent concerns or individuals are liable. This covers demand notes, drafts, etc., issued by others than banks, and time notes, drafts, etc., by whomever issued. This account does not include investments.

112. ACCOUNTS RECEIVABLE.

This account shall include all amounts (other than deposits in banks) owing to the accounting company upon open book accounts with solvent concerns and individuals; also the ledger value of all accounts and claims upon which responsibility is acknowledged by solvent concerns and individuals or which are sufficiently secured to be considered good and of all judgments against such concerns where the judgment is not appealable or suspended through appeal. This account does not include negotiables.

113. INTEREST AND DIVIDENDS RECEIVABLE.

This account shall include the amount of interest accrued to the date of the balance sheet on funded and unfunded securities, loans, open accounts, mortgages and deposits held by or for the accounting company; dividends declared on stocks similarly held, and dividends accrued on stocks when contracts require that the dividend be paid at stated times.

NOTE.— No amount representing interest or dividends receivable shall be included in this account unless its payment is reasonably assured by past experience and anticipated provision, or otherwise. But the definition of this account should not be construed to prevent the carrying of interest and dividends receivable in a suspense account until collection has actually been made, even though the debtor be considered to be solvent.

14. MATERIALS AND SUPPLIES.

This account shall include the balances representing the cost (including transportation, insurance, and inspection charges, customs duties, etc.) of all materials and supplies not charged out in the accounting company's accounts, regardless of whether the same are intended to be consumed in construction or in operation, or later to be sold.

When any materials or supplies the cost of which has been charged to this account are issued for use, the amount at which they stand charged herein should be credited to this account and charged to the proper construction, operating expense, or other account.

Inventories of materials and supplies shall be taken at least annually and any shortage or overage disclosed by such inventories shall be credited or debited to this account and debited or credited to operating expense account, "Miscellaneous General Expenses," No. 621, in case they cannot be assigned to a specific account.

115. PREPAID ACCOUNTS.

This account shall include the debit balances described under the following sub-heads:

a. PREPAID TAXES. The excess of taxes paid over the amount properly chargeable to current income or other similar account, as shown by a debit balance in the tax liability account (See note under account, "Taxes Accrued" No. 170).

b. PREPAID RENTS. The amount of rents paid in advance of the enjoyment of the term. As the term is consumed, this account shall be credited at regular accounting intervals and the appropriate rent account debited with the amount applicable to the period.

c. PREPAID INSURANCE. The amount of premium on insurance policies paid in advance of their accrual. As such premiums accrue they should be credited at regular accounting intervals to this account and charged to the appropriate operating expense or other account.

d. MISCELLANEOUS PREPAYMENTS. Prepayments made for any purpose other than as provided for in the preceding heads.

NOTE.— By the accrual of insurance, rents, etc., it is meant their accumulation when considered as spread uniformly over the period to which they apply. Thus if the rent fixed by contract of lease for a certain property is $600. for a calendar year, this accrues at the rate of $50. each month (unless it is desired to base the accruals on days, when the varying lengths of the months would require to be considered), regardless of the actual times when the rent matures; $50 should thus (if the rent has been prepaid) be credited each month to the sub-account "Prepaid Rents" and concurrently charged to the appropriate account in the "Income" account. Similarly in the case of other prepayments.

116. MISCELLANEOUS CURRENT ASSETS.

This account shall include the cost of all current assets which are not includible under any of the foregoing accounts.

120. INVESTMENTS IN AFFILIATED COMPANIES.

This account shall include the ledger value of the accounting company's investment in securities or non-negotiable notes issued or assumed by affiliated companies; also of its investment advances to such companies. Two companies are affiliated if either one controls the policy of the other or if both are subject to the same control. By "investment advances" are meant debit balances in open accounts with affiliated companies not subject to current settlement and interest accrued on such open accounts when such interest is not subject to current settlement. This account shall be subdivided as follows:

a. Stocks.
b. Bonds.
c. Notes.
d. Advances.

NOTE A. — Accounts with affiliated companies which are subject to current settlement such as charges for materials and supplies currently furnished, charges for repairs to equipment, etc., shall be classed as current assets or current liabilities as may be appropriate.

NOTE B. — Securities borrowed by the accounting company and pledged should not be included in this account.

121. MISCELLANEOUS INVESTMENTS.

This account shall include the balances in accounts representing miscellaneous investments such as those in securities of other non-affiliated corporations, intangible property of a permanent nature not coming within the definition of fixed capital, as for example, real estate leased to others or held for a rise in value, etc., provided such investments are not included in any special fund account.

The accounting company's records should be kept in such manner as to permit the ready analysis of this account, to show separately in the company's annual reports full particulars concerning its investments of any given class, including the ledger value of those which are held subject to a mortgage, pledge, or other lien.

122. SINKING FUNDS.

This account shall include the amount of cash, the ledger value of securities of other companies, and other assets which are held by trustees of sinking funds for the purpose of redeeming outstanding obligations, including such assets so held by the accounting company when they are segregated in a dis-

tinct fund; also amounts deposited with such trustees on account of mortgaged property sold when the proceeds of such sale are to be held for the redeeming of securities; and the cost of live securities issued or assumed by the accounting company and held in such funds. A separate account shall be kept for each fund and the title of each such fund account should designate the obligation in support of which the fund is created.

NOTE. — Should the constituents of a sinking fund change substantially in value, and such change seem likely to be permanent, it may be reflected by suitable entries in this account and in the corresponding reserve account or in "Profit and Loss" as may be appropriate.

123. MISCELLANEOUS SPECIAL FUNDS.

This account shall include the amount of cash and the ledger value of securities of other companies and other assets in insurance, employees' pension, savings, relief, hospital, and other funds which have been raised and specifically set aside or invested for purposes not provided for elsewhere; also the cost of securities issued or assumed by the accounting company and held in such funds. A separate account shall be provided for each fund.

124. SPECIAL DEPOSITS

This account shall include the amounts of money and bank credits in the hands of fiscal or other agents of the corporation for the payment of coupons, dividends or other special purposes.

Charges to this account should specify the purpose for which the deposit is made. When such purposes are satisfied this account should be credited with the amount specially deposited to provide such satisfaction.

130. UNAMORTIZED DEBT DISCOUNT AND EXPENSE.

This account shall include the total of the net debit balances representing the discount and expense in connection with the issuance of each class of the accounting company's long term debt.

131. PROPERTY ABANDONED.

This account is intended as a suspense account which shall include the retirement loss (i. e., the original cost, estimated if not known, plus cost of dismantling, less salvage) on property destroyed or abandoned because of replacement, of obsolescence, of

an extraordinary casualty, or for any other reason when such loss has not been provided for in advance through a reserve. Charges to this account shall be made only with the permission of the commission, and the amount so charged shall be amortized through annual or more frequent charges over a definitely determined period to such accounts as shall be proper. Application to the commission for permission to use this account shall give full particulars concerning the property abandoned or retired, the reasons for its retirement, the accounts through which it is proposed to amortize the retirement loss, and the future period over which, in the judgment of the company making the application, the amount of such charge should be distributed.

132. JOBBING ACCOUNTS.

This account shall include the balances in accounts with customers or others for jobbing work not completed at the date as of which the balance sheet is stated. Such accounts, when work is completed and charges made, shall be cleared by charges to accounts receivable.

133. CLEARING OR APPORTIONMENT ACCOUNTS.

This account shall include the balances in accounts maintained to carry temporarily the cost of operating such facilities as garages, stables, storehouses, etc., and also overhead or burden costs such as it is desirable shall be apportioned over the construction and operating accounts involved.

The charges to operating accounts and the credits to these accounts should, unless there is some good reason to the contrary, be so distributed that the costs for any one year will be absorbed by the transactions occurring during that year. (Keeping this account is optional with the company.)

134. MISCELLANEOUS SUSPENSE.

This account shall include all debits not elsewhere provided for, the proper final disposition of which is uncertain. This will include the cost of tentative or preliminary surveys, designs, and investigations made for determining the feasibility of projects under contemplation. If the project is thereafter definitely undertaken, such amount shall be credited to this account and charged to the proper work order, fixed capital, or other account. If the project is abandoned the cost of the preliminary investigation shall be

charged to the appropriate operating expense or other account. Whenever the proper disposition of any matter charged to this account is determined, it shall be credited to this account and charged to the appropriate account.

140. DISCOUNT ON CAPITAL STOCK.

This account shall include the total of the net debit balances representing the discount on capital stock, issued or assumed by the accounting company.

141. REACQUIRED SECURITIES.

When securities, whether debt or stocks, have been actually issued by the accounting company to bona fide holders for value (or after such issue by another corporation have been assumed by the accounting company) and after such issue (or assumption have been acquired by the accounting company under circumstances which require that they shall not be treated as paid or retired, they shall be charged at face value to this account. If the price at which such securities have been reacquired is greater or less than the par or face value, the difference shall be adjusted through Profit and Loss or through the appropriate discount or premium account.

Note. A. — This account shall not include securities that are merely guaranteed.

Note. B.— This account shall not include any securities held in sinking and other reserve funds.

142. TREASURY SECURITIES.

This account shall include the par value of securities which have been nominally but not actually issued by the accounting company.

143. PROFIT AND LOSS — DEFICIT.

Under this head shall be shown the debit balance if any, in the Profit and Loss Account. (See Profit and Loss Account.)

LIABILITIES.

150. CAPITAL STOCK.

a. Preferred Stock.

Preferred stocks are those which have the first claim upon such dividends as may be distributed. They may be cumulative or non-cumulative, participating or non-participating.

If cumulative, the amount by which the dividend, at any dividend period, fails to reach the stipulated rate, is carried forward to continue as a claim upon dividends until satisfied; if non-cumulative such amount lapses.

If preferred stock is participating, it is not limited to the stipulated rate in the amount of dividends which it may receive, but is entitled to participate, in accordance with the terms of the contract under which it is issued, in further dividends; if non-participating it is limited to the stipulated rate.

A separate account should be kept for each class of stock issued, and no two stocks should be considered of the same class unless they are equal in their interest or dividend rights, their voting rights and the conditions under which they may be retired. The characteristics of any class of stocks in these regards should be designated in the title of the account raised to cover such stocks and should be clearly expressed in the first entry in such account.

If such issue is for money, that fact should be stated; and if for any other consideration than money, the person to whom issued should be designated and the consideration for which issued should be described with sufficient particularity to identify it. If the fair cash value of the consideration realized upon the issue of any amount of stock is greater than the par value of such stock, the excess should be credited to the account "Premium on Capital Stock" No. 151.

b. Common Stock.

Common stocks are those whose claims in the distribution of dividends are subordinate to the claims of all other stocks.

151. PREMIUM ON CAPITAL STOCK.

This account shall include the excess of the actual money value (at the time of issue of the stock) of the consideration received for such issue over the par value of the amount of stock issued and accrued dividends, if any, expressed in the contract of issue. If the stock is issued by the corporation to its treasurer or other agent, the excess of the actual money value of the consideration obtained by such agent in exchange for such stock over the par value and accrued dividends thereof shall be considered the premium realized. A separate ledger account shall be maintained for each class of stock as distinguished according to the text of the preceding account. Entries in these accounts shall be carried therein until off-

set by credits to "Profit and Loss" upon reacquisition of the stock or by credits to "Cash" or other similar account in case the corporation is permitted and elects to distribute to its stockholders all or any part of the premium realized on its capital stock.

152. LONG TERM DEBT.

This account shall include the total par value of all debt except receiver's certificates and advances from affiliated companies which by the terms of its creation does not mature until more than one year after date of creation. This covers bonds, notes, mortgage certificates, and all other forms of acknowledging indebtedness.

The records shall be kept so that long term debt of different classes may be separately shown.

153. RECEIVER'S CERTIFICATES.

When any receiver, acting under the orders of a competent court, is in possession of the property of a corporation, and under the orders of such court issues certificates of indebtedness chargeable upon such property the par value of such certificates shall be included in this account.

NOTE. — Separate sub-accounts shall be maintained for receiver's certificates which mature in more than one year and those which mature in one year or less from date of issue.

160. NOTES PAYABLE.

This account shall include the balances representing outstanding obligations in the form of notes, drafts, acceptances, or other similar evidences of indebtedness payable on demand or within a time not exceeding one year from date of issue.

NOTE. — Secured notes and time loans payable more than one year from date of issue shall be included in account "Long Term Debt" No. 152.

161. ACCOUNTS PAYABLE.

This account shall include the amount of audited vouchers or accounts and audited pay rolls unpaid on the date of the balance sheet; also balances representing unclaimed wages and outstanding pay and time or discharge checks issued in payment of wages, open accounts with other companies, except such as are includible under account "Advances from Affiliated Companies" No. 173, and similar items.

162. CONSUMERS' DEPOSITS.

This account shall include the amounts deposited with the accounting company by consumers as security for the payment of bills. Deposits refunded shall be charged to this account and credited to "Cash" or to account "Miscellaneous Special Funds" No. 123, if a special fund for such deposits is maintained. Deposits applicable to uncollectible or worthless bills shall, at the close of the fiscal year (or earlier at the option of the accounting company) be credited to the account of the consumer involved and debited to this account.

163. MATURED INTEREST UNPAID.

This account shall include the amount of matured and unpaid interest on debt of the accounting company except where such interest is added to the face of the principal as is the usual case with judgments and sometimes with advances from affiliated companies.

164. DIVIDENDS DECLARED.

This account shall include the amount of any dividends which have been declared, but not paid. Dividends shall be credited to this account as of the day upon which they become a liability of the accounting company (which is generally the date upon which they are declared) and when paid shall be charged to this account and credited to "Cash" or other suitable account.

165. MATURED LONG TERM DEBT UNPAID.

This account shall include the amount of long term debt matured and unpaid without specific agreement for extension as to time of payment, including unpresented bonds drawn for redemption through the operation of sinking and redemption fund agreements.

NOTE. — Real estate mortgages whose nominal maturity has been reached but which by mutual agreement between mortgagee and mortgagor are continued indefinitely as obligations of the accounting company, need not be transferred to this account, but may continue to be carried in account "Long Term Debt" No. 152.

166. MISCELLANEOUS CURRENT LIABILITIES.

This account shall include the balances in all open accounts representing current liabilities not specifically provided for in the foregoing accounts.

170. TAXES ACCRUED.

This account shall include the amount of taxes accrued and properly charged against income or other accounts in excess of the amount of taxes paid as shown by the credit balance in the tax liability account.

NOTE. — An open account entitled "Tax Liability Account" shall be raised and to it shall be credited at the close of each accounting period taxes accrued during the period, corresponding debits being made to the appropriate accounts for tax charges. Such credits will necessarily be based upon estimate, but from time to time during the year as the actual tax levies become known, the amount of the periodic credits shall be adjusted so as to include as nearly as may be possible in each year the taxes applicable thereto. When any tax is paid, it shall be charged to the "Tax Liability Account" and credited to "Cash" or other suitable account. A debit balance in the "Tax Liability Account" due to the prepayment of taxes applicable to the period subsequent to the date of the balance sheet shall be shown under account "Prepaid Accounts" No. 115, while a credit balance shall be shown under account "Taxes Accrued." No. 170.

171. INTEREST ACCRUED.

This account shall include the amount of interest on all indebtedness of the accounting company except where such interest is added to the face of the principal as in the usual case with judgments and sometimes with advances from affiliated companies, accrued to the date of the balance sheet but not payable until after that date. When such interest is paid, it shall be charged to this account and credited to "Cash" or other suitable account. Separate subaccounts shall be maintained for each item of indebtedness.

When interest matures without being paid, it shall be charged to this account and credited to account "Matured Interest Unpaid" No. 163. Payments to trustees (or other agents) of the holders of bonds or other securities of the interest accrued thereon which operate under the terms of the securities (or of mortgages supporting such securities) as a release of the paying company from further liability for such interest shall be considered equivalent to payments of interests made direct to bond-holders and such interest shall not be credited to "Matured Interest Unpaid" No. 163.

The interest accrued upon any judgment against the accounting company shall not be credited to this account, but to the account to which such judgment stands credited.

172. MISCELLANEOUS ACCRUED LIABILITIES.

This account shall include the balances in all accounts representing accrued liabilities other than interest or taxes.

173. ADVANCES FROM AFFILIATED COMPANIES.

This account shall include the par value of non-negotiable notes due to affiliated companies, credit balances in open accounts with such companies other than credit balances in credit accounts classable as current liabilities, and interest accrued on notes and open accounts included in this account when such interest is not subject to current settlement. Two companies are affiliated if either one controls the policy of the other, or if both are subject to the same control.

This account shall be sub-divided as follows:

a. Notes, including both time and demand notes;
b. Open accounts not subject to current settlement;
c. Interest accrued on amounts included in this account when not subject to current settlement.

Accounts with affiliated companies which are subject to current settlement, such as charges for materials and supplies currently furnished, charges for repairs to equipment, etc., shall be classed as current assets or current liabilities as may be appropriate. Negotiable notes due to affiliated companies shall not be included in this account but in account "Notes Payable" No. 160.

180. DEPRECIATION RESERVE.

Every water company shall carry a proper and adequate depreciation reserve to cover the full replacement of all tangible capital in service. There shall be opened a depreciation account to which shall be charged monthly, crediting the depreciation reserve, No. 180, an amount equal to one-twelfth of the estimated annual depreciation of the tangible capital in service of the utility, or as near that amount as the finances of the property will permit. The estimate here required shall be made upon a rule designed to effect by its uniform application during the life of the tangible capital in service, a charge into operating expenses of the total original cost of such capital, less its salvage or scrap value upon retirement.

181. CASUALTIES AND INSURANCE RESERVE.

When any admitted liability arises because of loss or damage to the property of others, or of injuries to employees or other persons, the amount of liability may, (if not previously provided for by insurance or self-insurance) be charged to the appropriate operating expense or other accounts and credited to this account against which (in such case) the actual cost of satisfaction of the liability shall be charged when the matter is determined. If the extent of the liability cannot be ascertained promptly after the liability arises, it may be estimated as accurately as practicable for the purpose of determining the immediate charge to the expense or other appropriate account, in which case the matter shall be adjusted when the extent of the liability is definitely ascertained. If the loss is of such character that it is in whole or in part indemnifiable under any contract of insurance carried by the accounting company, the indemnifiable portion of the loss shall be charged to the insurer and credited to "Casualties and Insurance Reserve" No. 181. This account shall also include the amounts charged to the operating expense account "Insurance" to cover self carried risks.

182. UNAMORTIZED PREMIUM ON DEBT.

When long term debt securities or other evidences of indebtedness are disposed of for a consideration whose cash value (exclusive of accrued interest) is greater than the par value of such securities or other evidences of indebtedness, the excess of such cash value of the consideration received over the par value of the securities or other evidences of indebtedness shall be credited to this account. At regular accounting intervals thereafter a proper portion of such premium, based upon the life of the security or other evidence of indebtedness to maturity, shall be charged to this account and credited to account "Amortization of Premium on Debt" No. 320 in the income account.

183. SINKING FUND RESERVE.

This account shall include the net balances in accounts to which are credited, in accordance with the requirement of mortgages and other contracts, or by action of the company's directors, definite appropriations of income and surplus whether held in general funds or specifically set aside in the hands of trustees, for the purpose of retiring or redeeming bonds or other obligations of the accounting company.

It shall also include such accretions from the investment of funds specifically set aside for the above described purpose as are required to be added to the reserve.

When the debt which the sinking fund is created to redeem matures and the fund has accomplished its purpose, the balance in the reserve shall be charged to this account and credited to "Profit and Loss." If the mortgage or other obligation permits, the par value of bonds or other evidences of indebtedness issued or assumed by the accounting company which are reacquired through the operations of a sinking fund may be charged to this account and credited to "Profit and Loss" when and as such bonds or other evidences of indebtedness are acquired.

184. CONTRIBUTIONS FOR EXTENSIONS.

To this account shall be credited contributions in money or property made to the accounting company for the purpose of assuming the burden or any part of the burden represented by the investment necessary for the establishment or extension of services rendered by the company. This covers such items as contributions toward the cost of line extensions in sparsely settled territory made by consumers, either voluntarily or when reasonably required by the company as a condition of giving the desired service, and the cost of services to which the company has title, in so far as such cost is borne by the consumer; it also covers grants from municipal or other governmental bodies or contributions from chambers of commerce and similar organizations made with the object of establishing a new service in the community by assuming part of the investment cost of the enterprise.

NOTE. — This does not include advances for the construction of extensions which are ultimately to be repaid the consumer.

185. CONTINGENCY RESERVE.

This account shall include such amounts as the accounting company may desire to set aside to provide against unforeseen contingencies.

186. MISCELLANEOUS RESERVES.

This account shall include the balances in all reserves other than those provided for in the six preceding accounts. A description of each such reserve giving the purpose for which it is created and a summary of debits and credits thereto during the year may be required in annual reports to the commission.

NOTE. — If the accounting company maintains operating reserves for the purpose of equalizing expenses from month to month such reserves shall be cleared annually unless there remains a credit balance due to the non-completion of maintenance work because of adverse labor conditions, non-receipt of material, or other similar reasons, in which case such part of the balance as is applicable to unfinished work may be carried over to the following year. Under no circumstances shall a debit balance be carried over the year.

187. MISCELLANEOUS UNADJUSTED CREDITS.

This account shall include the amount of credit balances in suspense accounts that cannot be entirely cleared and disposed of until additional information is received.

188. PROFIT AND LOSS — SURPLUS.

Under this head shall be shown the credit balance, if any, in the Profit and Loss Account. See "Profit and Loss" account.

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TEXT PERTAINING TO FIXED CAPITAL ACCOUNTS

101. FIXED CAPITAL INSTALLED PRIOR TO JANUARY 1, 1922.

(For Municipal Companies and such other companies as report to the Public Utilities Commission for the first time.)

Charge to this account the book value at the close of December 31, 1921, of all fixed capital owned and used by the utility in the conduct of its water operations. No charge shall be made to this account for any fixed capital acquired after December 31, 1921.

102. FIXED CAPITAL INSTALLED SINCE DECEMBER 31, 1921.

Charge to this account the cost of all fixed capital installed since December 31, 1921, and used by the utility in the conduct of its water operations. See Accounts Nos. 200-245.

103. COST OF FIXED CAPITAL PURCHASED.

Charge to this account the cash value of the consideration given for fixed capital in the form of a going or completed water system or of any portion of such system purchased from others.

In connection with the purchase of property chargeable to this account, the utility shall procure all existing records, memoranda, and books of accounts in the possession or control of the grantor relating to the construction and improvement of such property and shall preserve such records, memoranda, and books of accounts. If it is impracticable to transfer such records, memoranda, and books of accounts, the utility shall procure copies of them certified by the custodian of the originals.

104. CONSTRUCTION WORK IN PROGRESS.

Charge to this account all expenditures under estimates, work orders, or other forms of authorization for structures and equipment in process of construction. Such expenditures shall also include that proportion of expenses of supervision, engineering, tools, store, and other like general expenses that may be assigned to such construction work. When such work is completed, credit this account and charge to the appropriate fixed capital or other accounts the cost of the completed work.

This account shall be so carried that the utility can furnish a complete analysis of the expenditures under each estimate, work order, or other form of authorization.

105. FIXED CAPITAL IN OTHER DEPARTMENTS.

This account includes the cost of all property of the company coming within the definition of tangible capital devoted to its operations other than water.

200. ORGANIZATION.

Charge to this account all fees paid to governments for the privilege of incorporation, and all office and other expenditures incident to organizing the corporation or other enterprise and putting it in readiness to do business. This includes cost of preparing and distributing prospectuses, cost of soliciting subscriptions for stock (but not for loans nor for the purchase of bonds or other evidences of indebtedness), cash fees paid to promoters and the actual cash value at the time of organization of securities paid to promoters for their services in organizing the enterprise, counsel fees, cost of preparing and issuing certificates of stock and cost of procuring certificates of necessity from State authorities and other like costs. Like costs incident to preparing and filing certificates of authorization of increase in capital stock, and to the negotiation and issue of stock thereunder, and cost of preparing and filing certificates of amendment of articles of incorporation should also be charged hereunder. This account shall not include any discounts upon stocks or other securities issued nor shall it include any costs incident to negotiating loans or selling bonds or other evidence of indebtedness.

201. FRANCHISES.

Charge to this account the amount (exclusive of any tax or annual charge) actually paid to the state or any political subdivision thereof as the consideration for the grant of such franchise or right as is necessary to the conduct of the corporation's water operations. Any excess of the amount actually paid by the corporation over the amounts specified in the statute, if any, should be charged to account "Other Intangible Water Capital" No. 239. If any such franchise has a life of not more than one year after the date when it is placed in service, it should not be charged to this account but to the appropriate Operating Expense accounts.

202. PATENT RIGHTS.

Charge to this account the cost of all rights (having a life of more than one year from the date when placed in service) acquired by the corporation in or under valid patents granted by the United States to

inventors for inventions and discoveries which are necessary to the economical conduct of the corporation's water operations.

I. WATER COLLECTING SYSTEM.

Charge to the appropriate accounts hereunder the cost of all land, structures and equipment used in collecting water and conveying it from the place of its collection to the purification or pumping plant, or, in the case of a purely gravity system, to a point in, or out of the municipality, from which water is distributed to consumers as follows:

203. WATER DIVERSION RIGHTS.

This includes the cost of all water diversion rights (as distinguished from water power rights), meaning thereby the cost of acquiring from riparian land owners the right to divert for supply purposes the waters of any stream, and from neighboring land owners the right to draw from ground water sources of supply; also compensation and costs in connection therewith paid for abating, modifying or abandoning causes of allowable pollution of streams and ground waters used for supply; whether such rights are acquired or compensated for in perpetuity or for a definite term of more than one year.

204. RESERVATIONS.

This includes the cost of all land for reservations along sources of supply, and also the cost of all buildings erected thereon and used in connection therewith, as well as all equipment, etc.

205. IMPOUNDING DAMS AND RESERVOIRS.

This includes the cost of the land and all structures thereon used for impounding water for supply purposes at the sources of supply.

206. LAKE AND RIVER CRIBS.

This includes the cost of all land, including lake or river bed, and all structures thereon used for collecting waters for supply purposes.

207. SPRINGS AND WELLS.

This includes the cost of all land and all structures thereon used for collecting water from springs, and of the wells for obtaining ground waters, including the curbing or casing of wells, but not including any equipment for pumping water at wells.

208. INFILTRATION GALLERIES AND TUNNELS.

This includes the cost of the land and rights of way, and all structures thereon and therein, used for collecting waters.

209. COLLECTING CONDUITS AND RESERVOIRS.

This includes the cost of the land and rights of way, and all structures thereon and therein, used for collecting waters from various sources and storing in reservoirs ready for purification, pumping or distributing, or for conveying to the purification or pumping plant, or the distribution system (if a purely gravity system).

210. GRAVITY INTAKES AND SUCTION MAINS.

This includes the cost of all land and rights of way and all structures thereon and therein, used for bringing water by gravity or suction, from the source of supply to the purification or pumping plant.

211. AQUEDUCTS AND SUPPLY MAINS.

This includes the cost of all land and rights of way and all structures thereon and therein, used for bringing water by aqueducts or supply mains, from the source of supply to the purification or pumping plant, or to the distribution system (if a purely gravity system).

II. PURIFICATION SYSTEM.

Charge to the appropriate accounts hereunder the cost of all land, structures and equipment used in connection with the purification of water, in conveying water from one part of the purification system to another, including steam or other power plant and pumping equipment when such power plant and pumping plant is used in connection with the delivery of wash water for filter or sand washing, but not including any steam or other power plant and pumping equipment which is used for pumping the water supply from one part of the purification works to another, as follows:

212. SETTLING BASINS.

This includes the cost of the land and all structures thereon for the sedimentation of water without coagulation whether such sedimentation is preliminary to supply or a preliminary step in conjunction with the further purification of water by some additional process; also the valves and connections with the succeeding step in the purification process or the mains or other means of conveyance to the pumping plant or the distribution system (if a purely gravity system).

213. COAGULATING BASINS.

This includes the cost of the land and all structures thereon used for the coagulation of water, whether such coagulation is preliminary to supply or a step in conjunction with the further purification by some additional process, or whether used as a step in purification following sedimentation; also the cost of equipment such as coagulent mixing and storage tanks, orifice boxes and feeder equipment, valves and connections with the succeeding step in the process, or the mains or other means of conveyance to the pumping plant or distribution system (if a purely gravity system), appliances for cleaning out basins, etc.

214. SOFTENING AND IRON REMOVAL PLANT.

This includes the cost of the land and all structures thereon used for the process of water softening and iron removal; also all equipment and appliances connected with and forming a part of the softening or iron removal plant including all connections with the succeeding step in the purification process or the mains or other means of conveyance to the pumping plant or the distribution system (if a purely gravity system), appliances for cleaning out basins, etc.

215. FILTERS.

This includes the cost of the land and all structures thereon used for filtration purposes, whether such filters be "roughing filters," "slow sand filters," or "mechanical filters"; also all equipment and appliances forming a part of such filters, cleaning and sand washing equipment, etc., and all connections with the succeeding step in the purification process or the mains or other means of conveyance to the pumping plant or the distribution system (if a purely gravity system) mechanical and air agitation equipment with the power plant therefor.

216. OZONE STERILIZING AND AERATION PLANT.

This includes the cost of the land and all structures thereon used for the process of water purification or treatment by the ozone sterilizing or aeration process, including all equipment or appliances connected or forming a part of the plant, and all connections with the succeeding step in the purification process, or the mains or other means of conveyance to the pumping plant or the distribution system (if a purely gravity system).

217. CHEMICAL TREATMENT PLANT.

This includes the cost of the land and all structures thereon used for the chemical treatment of water, whether such treatment is preliminary or subsequent to some further or preceding process of purification or treatment of water by some additional process or whether such chemical treatment is the sole method of treatment of the water supply.

Included here are all buildings, equipment and appliances such as mixing tanks and gravity or pump feed apparatus, basins, if any, and all connections with the next step in the purification process, or the mains or other means of conveyance to the pumping plant or the distribution system (if a purely gravity system).

218. CLEAR WATER BASINS.

This account is provided only for the use of companies which employ some system or method of purification, and to it should be charged the cost of the land and all structures thereon used for the storing of water either in process of purification as an intermediate step in the purification system, or as the final storage of purified water ready for delivery to the pumping plant or the distribution system (if a purely gravity plant). This account includes also the cost of equipment and appliances and connections, from the clear water-basins to the suction or wet wells for pumping or to the pumps direct, or to the supply or suction main or other means of conveyance to the pumping plant or distribution system.

III. PUMPING SYSTEM.

Charge to the appropriate accounts hereunder the cost of all land, buildings and equipment used in connection with the pumping of water, as follows:

219. PUMPING STATIONS.

This includes the cost of land and all buildings thereon, forming a part of the pumping system, including out-buildings, tool houses, shops, etc., and all appurtenant walks, fences, drives and all permanently attached fixtures forming a part thereof.

220. STEAM POWER PUMPING EQUIPMENT.

This includes the cost of all steam plant and equipment, and the accessory equipment such as boilers and their settings, stacks and foundations, fuel and ash handling and storage equipment, super-heaters, economizers, damper regulators, and all piping, etc., and other appliances.

221. HYDRAULIC POWER PUMPING EQUIPMENT.

This includes the cost of all land other than that occupied by the pumping station and buildings, together with the cost of all water power rights (as distinguished from water supply diversion rights) and the cost of all structures provided exclusively for the development of hydraulic power, such as dams, headgates, canals, flumes, relief structures, and appurtenant power generating equipment, such as water wheels with control equipment and power transmission equipment from water wheels to pumps and also pumps and pumping equipment, etc.

222. ELECTRIC POWER PUMPING EQUIPMENT.

This includes the cost of all equipment used for pumping water by electric power, whether such power is purchased or generated by the company itself, also the pumps and pumping equipment and all appurtenant equipment and appliances.

223. GAS POWER PUMPING EQUIPMENT.

This includes the cost of all equipment used for pumping water by gas power, whether such power is obtained from purchased gas, or from producer gas plant. Included here are the cost of gas producer plants and apparatus, gas storage and transmission equipment, gas engines, pumps and pump equipment, etc.

224. MISCELLANEOUS PUMPING EQUIPMENT.

This includes the cost of all equipment, apparatus and appliances used in connection with the pumping plant but not properly includible in any of the preceding accounts.

IV. DISTRIBUTION SYSTEM.

225. TRANSMISSION MAINS AND ACCESSORIES.

Charge to this account the cost of all land and rights-of-way and of all mains, pipes and special castings, valves and valve vaults, and boxes, etc. belonging to the transmission system and all other accessories to the transmission mains. By transmission mains are meant those which convey water for long distances without having any connections thereto for service therefrom, from the pumping station to the distributing storage reservoir or the distributing system mains. Transmission mains apply only in case of water works operating pumping stations; in the case of gravity systems these mains would come under the designation of supply or distribution mains.

226. STORAGE RESERVOIRS, TANKS AND STANDPIPES.

Charge to this account the cost of all land, reservoirs, tanks and standpipes with the appurtenant buildings, structures and equipment connected therewith, used for the storage of water preliminary to its distribution for consumption.

227. DISTRIBUTION MAINS AND ACCESSORIES.

Charge to this account the cost of all land and rights-of-way for main pipe lines and the cost of all main pipes and special castings used for distribution of water to customers. (Data as to the length of pipe of each diameter and the date of their installation should be carefully kept). Also the cost of all gate valves in the distribution mains, together with the boxes over such valves, and the cost of installing the valves and boxes. Also the cost of all special fixtures and appliances connected to the main pipes together with the cost of installing same, such as regulating valves, air chambers, relief valves, blow-off cocks, flush plugs, etc.

228. SERVICE PIPES AND STOPS.

Charge to this account the cost of material and labor including all other costs and charges incurred in connection therewith; such as permit fees, etc., accruing in the installation of service pipes and stops from main pipes to the customers' premises, when it is the policy of the company that such costs shall be capitalized, and when costs of the services so installed are not borne by the customer, although the company may have full control over the same.

229. METERS, METER BOXES AND VAULTS.

Charge to this account the cost of all meters, meter boxes and meter vaults, together with the cost of their installation, which are furnished on customers' service connections without charge to the customer.

230. FIRE HYDRANTS AND FIRE CISTERNS.

Charge to this account the cost of all hydrants and fire cisterns together with the cost of pipe, valves etc., connecting same with distribution main pipes, and the cost of installing same.

231. FOUNTAINS, TROUGHS, AND OTHER EQUIPMENT.

Charge to this account the cost of all fountains, troughs, and other equipment and appliances for the utilization of the water supply by the general public, together with the cost of their connection and installation, which are installed at the cost of and are owned by the company.

V. MISCELLANEOUS.

232. GENERAL STRUCTURES.

Charge to this account the cost of all land, buildings and other structures used for general offices, laboratories, general store-houses, general stable buildings, shops, etc., which are not includible in any of the foregoing accounts; also the cost of all fixtures permanently attached thereto and made a part thereof, such as water pipes and fixtures, steam pipes and fixtures for warming and ventilating, gas pipes and fixtures for lighting, etc., electric wiring and fixtures for lighting, signaling, etc., elevators, etc., and the engines and motors specially provided for operating them; furnaces, boilers, etc., specially provided for producing steam for such engines and for heating; electric generators specially provided for producing current for lighting such buildings, etc. This account includes such piers and other foundations for machinery and apparatus as are designed to be as permanent as the buildings in (or in connection with) which they are constructed, and to outlast the first machinery or apparatus mounted thereon.

233. GENERAL EQUIPMENT.

Charge to the appropriate accounts hereunder the cost of all equipment of general structures, as provided under the following heads:

234. GENERAL OFFICE EQUIPMENT.

This includes the cost of all equipment of general offices, such as desks, chairs, tables, movable safes, filing cases, drafting-room equipment, and other like office appliances and equipment; also engineering instruments.

235. GENERAL SHOP EQUIPMENT.

This includes the cost of all equipment specially provided for general shops, such as furnaces, boilers, gas producers, engines, electric generators, and other power apparatus used in operating machinery in such shops; machine tools, cranes, hoists, shafting, belts, and the like shop equipment; also such smithing equipment in general shops as is used principally for

other general purposes than shoeing horses and repairing vehicles.

NOTE. — Hand and other small portable tools liable to be lost or stolen should not be included herein, but portable tools and apparatus of special value may be charged to this account and remain therein so long as record is kept of the persons to whom such tools and apparatus are issued and such persons are made responsible therefor.

236. GENERAL STORE EQUIPMENT.

This includes the cost of all equipment of general store structures, such as movable counters, movable shelving, and other movable equipment of like nature, carts, barrows, trucks, etc., and other apparatus and appliances used in handling materials and supplies.

NOTE. — Counters, shelving and the like, which are permanently attached to the structure, should be charged to account "General Structures" and not to this account.

237. GENERAL STABLE EQUIPMENT.

This includes the cost of all equipment of general stables, including horses, harness, drays, wagons, automobiles, and other vehicles, equipment of shoeing shops, harness repair shops, vehicle repair shops, etc.

238. OTHER TANGIBLE WATER CAPITAL.

Charge to this account the cost of all tangible property devoted to water operations not elsewhere provided for.

239. OTHER INTANGIBLE WATER CAPITAL.

Charge to this account the cost of all other property coming within the definition of intangible capital and devoted to water operations. All entries of charges to this account shall describe the acquired property with sufficient particularity clearly to identify it, and shall also show specifically the principal from whom acquired and all agents representing such principal in the transaction; also the term of life of such property, estimated if not known, and if estimated, the facts upon which the estimate is based.

240. ENGINEERING AND SUPERINTENDENCE.

Charge to this account all expenditures for services of engineers, draftsmen and superintendents employed on preliminary and construction work, and all expenses incident to the work, when such disbursements cannot be assigned to specific construction.

NOTE. — When employees enumerated above are engaged in work not chargeable to construction, their pay and expenses should be charged to the specific work on which engaged.

241. LAW EXPENDITURES DURING CONSTRUCTION.

Charge to this account general expenditures of the following nature incurred in connection with the construction of a water works: namely, the pay and expenses of all counsel, solicitors, and attorneys, their clerks and attendants, and expenses of their offices; printing briefs, legal forms, testimony, reports, etc.; payments to arbitrators for the settlement of disputed questions; cost of suits and payments of special fees, notarial fees, and witness fees; and expenses connected with taking depositions; also all legal and court expenses.

When any of the expenditures above enumerated can be charged directly to the account for which incurred, they should be so charged and not to this account. Law expenditures in connection with the organization of the corporation should be charged to account, " Organization " No. 200.

242. INJURIES DURING CONSTRUCTION.

Charge to this account all expenditures incident to injuries to persons when caused directly in connection with construction of water plant and equipment; proportion of salaries and expenses of physicians and surgeons; nursing and hospital attendance, medical and surgical supplies, artificial limbs, railroad and carriage fares for conveying injured persons and attendants; funeral expenses (including payments to undertakers); proportion of pay and expenses of claim adjusters and their clerks, and pay and expenses of employees and others called in consultation in relation to the adjustment of claims coming under this head; witness fees and amount of final judgments; also cost of liability insurance applicable to construction.

243. TAXES DURING CONSTRUCTION.

Charge to this account all taxes and assessments levied and paid on property belonging to the corporation while under construction and before the plant is opened for commercial operation, except special taxes assessed for street and other improvements, such as grading, sewering, curbing, guttering, paving, sidewalks, etc., which should be charged to the account to which the property benefited is charged.

244. MISCELLANEOUS CONSTRUCTION EXPENDITURES.

This account includes the salaries and expenses of executive and general officers of a water works under construction; clerks in general offices engaged on construction accounts or work; rent and repair of general offices when rented, and office expenses; insurance during construction other than liability insurance; also all construction and equipment items of a special and incidental nature which cannot properly be charged to any other account in this classification.

NOTE A.— This account may include a suitable proportion of store expenses when such expenses are not assignable to specific materials.

NOTE B.— This account should not include any cost of organization, or any cost or discounts connected with the issue and disposal of stocks, funded debt, or other securities, and commercial paper.

245. INTEREST DURING CONSTRUCTION.

This account includes the interest accrued upon all moneys, and credits available upon demand, acquired for use in connection with the construction and equipment of the property from the time of acquisition until the construction is ready for use. Interest receivable accrued upon such moneys and credits should be credited to this account. To this account should also be credited discounts realized through prompt payment of bills for materials and supplies used in construction, unless such discounts are credited to the particular bills.

SCHEDULE OF INCOME ACCOUNTS

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TEXT PERTAINING TO INCOME ACCOUNTS

301. OPERATING REVENUES.

Under this head shall be shown the total revenues of the accounting company from water operations during the period covered by the income account. (For the primary operating revenue accounts, see Accounts Nos. 501-507).

302. OPERATING EXPENSES.

Under this head shall be shown the total expenses of the accounting company for water operations during the period covered by the income account. (For the primary operating expense accounts, see Accounts Nos. 601-621.)

305. UNCOLLECTIBLE OPERATING REVENUES.

When any bill rendered for the sale of water or other product of water operations or for services performed in connection therewith has proved, after reasonably diligent effort, impracticable of collection, the amount should be charged to this account and credited to the account receivable in which it has theretofore been carried.

306. TAXES ASSIGNABLE TO OPERATIONS.

This account shall include the amount of taxes paid or accrued applicable to the water operations of the accounting company during the period for which the income account is stated.

Separate accounts shall be kept of the taxes applicable to water operations and to operations other than water, as well as to non-operating revenues, if the accounting company has such other operations or non-operating revenues. When taxes are levied on property used in two or more different classes of operations in such a way that the amount applicable to each class is not definitely stated, the total amount of the levy shall be apportioned by the accounting company on some fair basis between the two or more classes of operations. In annual reports to the commission the basis of such apportionment may be required.

The tax accounts shall be charged at regular accounting intervals and the "Tax Liability Account" (see note under account No. 170, "Taxes Accrued") concurrently credited with the period's proportion of taxes applicable to the operations covered by each account. If the exact amounts of the annual taxes are not known, they shall be estimated and a due share of the estimated amounts shall be charged for

each accounting period. From time to time during the year as the actual tax levies become known, the periodic charges shall be adjusted so as to include as nearly as possible the total amount of the taxes in the period to which they apply. This account should be so kept that the amount applicable to Federal, state and municipal taxes can be separately shown.

NON-OPERATING REVENUES.

307. PROFIT ON MERCHANDISE SALES.

Credit to this account the receipts derived from the sale of water appliances and plumbing fixtures used in the consumption and utilization of water. Profit, as used in this account, is defined as being the excess of the sales price over the cash cost, including the invoice cost, cost of handling, storage, etc., if such merchandise is passed through the stores department. Charge this account with all expenses for labor and material in connection with the sale of such appliances or merchandise. The net amount only, or the profit on merchandise sales, is to be carried to the Income Account. The credits and charges to this account shall be made in such a manner as to admit of a detailed analysis when called for by the commission.

308. PROFIT ON PIPING AND CONNECTIONS.

Credit this account with all earnings derived from piping and connection work performed by the utility. This includes earnings from services performed on the consumers' premises, such as piping the consumers' premises, connecting and disconnecting house piping and water fixtures, the relocation of piping or apparatus, and other plumbing and fixture work. If prospective consumers are charged for services performed by the water utility in connecting the house piping and plumbing with the service connection, or for laying such service piping, such earnings shall be credited to this account. Where the cost of laying the service connection is charged to the property owner, such work shall not be included in tangible capital. Charge to this account all expenses for labor and materials in connection with such operation, the net amount only, or the profit from such piping and connection work, being carried to the Income Account. The credits and charges to this account will be made in such a manner as to admit of a detailed analysis when called for by the Commission.

309. RENTS FROM LAND, BUILDINGS OR APPARATUS.

Credit to this account, as it accrues, all revenue from the rental of land, buildings, equipment, apparatus and appliances. Where the contract for the rental of any apparatus or appliances covers also the cost of connecting such apparatus and its maintenance, the entire revenues from such contract shall be credited to this account.

To this account shall be charged all expenses incurred in connection with the collection of rents, commissions and fees therefor; the cost of procuring tenants for buildings, drawing contracts and leases, advertising for tenants of such buildings; expenses of ouster proceedings, and taxes, unless the taxes are to be paid by the tenant. Any expenses accruing while land and buildings are idle, also repairs upon such property, will be charged to this account. Only the net revenue or profit from the above transactions will be carried to the Income Account in the annual report.

Credits and charges to this account are to be made in such a manner as to admit of a detailed analysis being made when called for by the commission.

310. INTEREST AND DIVIDENDS.

Credit to this account all interest as it accrues upon interest bearing securities which are liabilities, either actual or contingent, of solvent companies, states, cities or individuals, held as investments by the water utility; also all interest received from banks, etc., for deposits placed therein.

Credit to this account the cash value, as on the date when they become collectible, of dividends upon the stocks, of corporations held as investments by the water utility.

311. MISCELLANEOUS NON-OPERATING INCOME.

Credit to this account all revenues from non-operating sources not includible in any of the preceding accounts.

This account may be subdivided to show revenues from any particular source.

315. INTEREST ON LONG TERM DEBT.

This account shall include all interest accrued on outstanding long term debt issued or assumed by the accounting company, the liability for which is included under balance sheet account No. 152, "Long

Term Debt"; also interest accrued on debenture stocks and on receiver's certificates which mature more than one year after date of issue. This account does not include interest on securities held by the accounting company in its treasury, in sinking or other special funds, or pledged as collateral.

NOTE A. — The amount charged to this account shall be concurrently credited to account "Interest Accrued" to which account shall be debited payments made on account of interest.

NOTE B. — If any securities issued or assumed by the accounting company are held in a sinking or other special fund, the interest on such securities shall not be charged to this account.

316. MISCELLANEOUS INTEREST DEDUCTIONS.

This account shall include interest on all short-term obligations of the accounting company such as notes or loans for terms of less than one year, unpaid taxes, consumers' deposits, or other accounts payable, etc. It shall also include interest on advances from affiliated companies (see balance sheet account "Advances From Affiliated Companies," No. 173); and interest on receiver's certificates which mature in one year or less after date of issue.

317. RENT FOR LEASE OF OTHER WATER PLANT AND EQUIPMENT.

Charge to this account all amounts accrued against the accounting person or corporation for rent of water plant and equipment which it holds under some form of lease from another company or corporation and of which it has the exclusive possession.

Taxes accrued on such plant and equipment should not be charged to this account, but to the appropriate Taxes account. If under the contract of lease such taxes are payable by the lessor or reversioner, they should be credited to this account and charged to the appropriate Taxes account. When paid by the lessor or reversioner, they should be charged to its rent revenue account, and not to its Taxes account, to the end that taxes upon such plant and equipment may be reported by the corporation in possession.

318. TAXES ASSIGNABLE TO NON-OPERATIONS.

Charge to this account the amount paid or accrued for taxes of every description chargeable to non-operating property or transactions. This account should be so kept that the amount applicable to Federal, state and municipal taxes can be separately shown.

319. SINKING FUND APPROPRIATIONS.

This account shall include such amounts as are required by mortgage provision or otherwise to be charged to income for the purpose of retiring or reducing the bonded or other obligations of the accounting company. It shall also include such accretions from the investment of funds specifically set aside for the above described purpose as are required to be added to the sinking fund reserve.

320. AMORTIZATION OF PREMIUM ON DEBT — CR.

This account shall include for any fiscal period the proportion of the premium at which outstanding debt was issued which was applicable to the period. This proportion shall be determined according to a rule the uniform application of which during the interval between the issue and maturity of any debt will completely amortize or wipe out the premium at which such debt was issued.

321. AMORTIZATION OF DEBT DISCOUNT AND EXPENSE.

This account shall include for any fiscal period that proportion of the unamortized discount and expense on outstanding debt which is applicable to the period.

This proportion shall be determined according to a rule the uniform application of which during the interval between the issue and maturity of any debt, will completely amortize or wipe out the discount at which such debt was issued and the debt expense connected therewith.

322. MISCELLANEOUS DEDUCTIONS FROM GROSS INCOME.

This account shall include all deductions from income not provided for in the preceding accounts.

325. DIVIDEND APPROPRIATIONS OF INCOME.

This account shall include amounts declared payable as dividends, out of the income for the period for which the income account is stated, on actually outstanding capital stock issued or assumed by the accounting company.

This account shall be subdivided so as to show separately the dividends on the various classes of capital stock.

If the dividend is not payable in cash, the consideration shall be described in the entry with sufficient particularity to identify it.

NOTE. — This account shall not include charges for dividends on capital stock issued or assumed by the accounting company and owned by it whether held in the treasury in special deposits, in sinking or other reserve funds, or pledged as collateral.

326. MISCELLANEOUS APPROPRIATIONS OF NET INCOME.

This account shall include all appropriations of net income not provided for in the preceding accounts.

327. TAXES ON NET INCOME.

This account shall include accruals to cover the accounting company's liability for the payment of Federal income tax, Federal excess profits tax, state income taxes, or other similar taxes when such taxes are not allowed by the commission as revenue deductions in computing the "fair" return on invested capital, but are considered to be a charge against the stockholders or other owners of the enterprise instead of an expense of the business to be transferred to the public through the prices charged for the service which the accounting company renders.

This account shall be charged at regular accounting intervals and the "Tax Liability Account" (see note under account No. 170, "Taxes Accrued") concurrently credited with the period's proportion of such taxes. If the exact amount of the annual taxes is not known, it shall be estimated and a due share of the estimated amount be charged for each accounting period. From time to time during the year, as the actual tax levies become known, the periodic charges shall be adjusted so as to include as nearly as may be possible the total amount of the taxes in the period to which they apply.

SCHEDULE OF PROFIT AND LOSS ACCOUNTS.

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401. DIVIDEND APPROPRIATIONS OF SURPLUS.

This account shall include amounts declared payable as dividends out of accumulated surplus on actually outstanding capital stock issued or assumed by the accounting company.

This account shall be divided so as to show separately the dividends on the various classes of capital stocks.

If a dividend is not payable in cash, the consideration shall be described in the entry, with sufficient particularity to identify it.

NOTE. — This account shall not include charges for dividends on capital stock issued or assumed by the accounting company, and owned by it, whether held in the treasury, in special deposits, in sinking or other reserve funds, or pledged as collateral.

402. MISCELLANEOUS DEBITS TO PROFIT AND LOSS.

This account shall include all debits affecting the accounting company's surplus or deficit and not elsewhere provided for, such as:

Adjustments or cancellation of balance sheet accounts,

Losses or deficits not properly chargeable to income and for which no reserve has been provided,

Losses resulting from the sale of miscellaneous investments and debits resulting from adjustments required to bring to par securities issued or assumed by the accounting company and reacquired at a cost exceeding the par value,

Unextinguished discounts, on funded debt reacquired before maturity,

Donations to charitable institutions and organizations for promoting social welfare.

Penalties and fines for violations of law.

404. APPROPRIATIONS FROM MUNICIPAL FUNDS (For Municipal Plants Only)

Credit to this account all appropriations made by the municipality to the funds of the accounting utility for operating purposes. This account applies only to municipal water companies.

405. MISCELLANEOUS CREDITS TO PROFIT AND LOSS.

This account shall include all credits affecting the accounting company's surplus or deficit and not elsewhere provided for, such as:

Adjustments or cancellation of balance sheet accounts,

Cancellation of balance sheet accounts representing unclaimed wages and vouchered accounts written off because of the accounting company's inability to locate the creditor,

Profit derived from the sale of miscellaneous investments,

Credits resulting from adjustments required to bring to par securities issued or assumed by the accounting company and reacquired at a cost less than par value.

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TEXT PERTAINING TO OPERATING REVENUE ACCOUNTS.

501. EARNINGS FROM COMMERCIAL SALES.

Credit this account with all revenue from water sales to commercial consumers, both where the revenue is dependent upon the quantity of water taken as recorded by meter and where such water is sold at flat rates and independent of the quantity taken. Commercial consumers, as referred to in this account, embrace residences, offices, apartment houses, retail commercial establishments, etc., where water is not used primarily for power or industrial purposes. Where, however, some manufacturing or industrial processes are performed in any residence, store or other point of commercial consumption, but such process being merely incidental to the broader use of the premises as a commercial consumer, the total consumption at such premises shall be credited to this account. When water is sold both by meter and flat rates, the earnings from each such sub-division shall

be credited to sub-divisions of this account and reported separately to the commission as follows:

a. Commercial Earnings — Flat Rate.
b. Commercial Earnings — Metered.

Water sold to the municipality for use in public buildings and not included in the contract for hydrant rentals and other municipal uses, will be considered as Commercial Earnings.

Where it is the custom of the utility to charge a minimum amount when the consumption during the month is less than the prescribed amount, the total amount of such minimum charge shall be credited to this account or to its appropriate sub-account. Where it is the custom of the utility to grant a discount from the gross bill or to add a penalty to the bill when payment is not made on or before a prescribed date, such discounts or penalties shall be charged or credited to this account. Utilities desiring to do so may open sub-accounts to show the Minimum Bill and Discount or Penalty items.

502. EARNINGS FROM INDUSTRIAL SALES.

Credit this account with all earnings from the sale of water for power and industrial purposes to manufacturing and industrial establishments. Where water is sold at a different rate for any particular kind of industrial use, the earnings from such separate sources shall be credited to appropriate subdivisions of this account and reported separately to the commission. Where water is sold both by meter and flat rates, the earnings from each such division shall be credited to subdivisions of this account and reported separately to the commission as follows:

a. Earnings From Industrial Sales — Flat Rate.
b. Earnings From Industrial Sales — Metered.

Where it is the custom of the utility to charge a minimum amount in cases where the consumption during the month is less than a prescribed amount, the total amount of such minimum charge shall be credited to this account or to its appropriate sub-account. Where it is the custom of the utility to grant a discount from the gross bill or to add a penalty to the bill where payment is not made on or before a prescribed date, such discount or penalty shall be charged or credited to this account. Utilities desiring to do so may open sub-accounts to show the Minimum Bill and Discount or Penalty items.

503. EARNINGS FROM SALES TO OTHER WATER COMPANIES.

Credit this account with the net amount earned by the company from its sales of water to other companies or municipalities. This account should be so kept that it will show the amount earned from each company or municipality to which water is sold.

504. EARNINGS FROM MUNICIPAL HYDRANT RENTALS.

Credit this account with all revenues received from the municipality for hydrant service. Where the hydrant rental paid by the municipality includes the use of water for street sprinkling and flushing purposes, and such water not being separately metered, the total revenue collected under such contract for hydrant rental will be credited to this account.

505. EARNINGS FROM PRIVATE FIRE PROTECTION.

Credit this account with all revenue received for private fire protection.

506. EARNINGS FROM SALES FOR STREET SPRINKLING.

Credit this account with all earnings from sales of water for street sprinkling, both to individuals and contractors engaged in sprinkling streets, parks and thoroughfares, and also with sales to the municipality, where such sprinkling is performed by the city.

507. EARNINGS FROM SALES TO MUNICIPAL DEPARTMENTS.

Credit this account with all earnings from the sale of water to municipal departments other than for street sprinkling, if such is performed by the municipality. This includes earnings from the sale of water for sewer and street flushing, street construction, filling fire cisterns and basins, etc., by the municipality. Where a special contract is entered into between the municipality and the utility for water service at public buildings, as schools, police and fire stations, city hall, etc., revenue collected under such contract will be credited to this account. A record should be kept also of the revenue received from each separate municipal department.

508. MISCELLANEOUS EARNINGS FROM OPERATION.

Credit this account with all earnings received from operating transactions not properly includible in the preceding accounts.

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I. WATER SUPPLY EXPENSES — OPERATIONS.

601. COLLECTING SYSTEM EXPENSES.

Charge to this account the operating costs or expenses of, or connected directly with the several parts of the entire water supply system, which are included in the accounts "Fixed Capital" Nos. 203-211. This includes all wages and expenses for inspecting and policing, caretakers and other employees, but does not include repairs.

This account may if desired by the company, or required by the commission, be further classified under the following headings, which shall be the titles of sub-accounts set up hereunder:

a. Reservation and Drainage Area.
b. Impounding Dams and Reservoirs.
c. Lake and River Cribs.
d. Springs and Wells.
e. Infiltration Galleries and Tunnels.
f. Collecting Conduits and Reservoirs.
g. Gravity Intakes and Suction Mains.
h. Aqueducts and Supply Mains.

602. PURIFICATION SYSTEM EXPENSES.

Charge to this account all expenses or costs incident to the purification of water. These expenses include the wages of men employed at the purification works, their personal and incidental expenses, the expenses of running the works, including the cost of chemicals and supplies, labor for cleaning basins and works, removing ice, scraping and cleaning purification apparatus, heating, lighting, etc.

The cost of repairs to the purification plant owned by the company (accounts "Fixed Capital" Nos. 212-218, should not be charged to this account).

This account may if desired by the company or required by the commission be further classified under the following headings, which shall be the titles of sub-accounts set up hereunder:

a. Sedimentation and Coagulation.
b. Softening and Iron Removal.
c. Filtration.
d. Chemical Treatment.
e. Clear Water Basins.

603. PUMPING SYSTEM EXPENSES.

Charge to the appropriate sub-accounts hereunder the expenses of pumping water and of running that part of the water works system which is included in accounts Nos. 219-224. These expenses include the salaries and wages, personal expenses of pumping station employees, fuel, water power, electric power, electric lighting, gas for power and lighting, janitor service, oil, waste, supplies, etc.

a. OPERATING LABOR. This includes the pay and expenses of the superintendent of the pumping plant, foremen and all laborers employed in operating the pumping station equipment. This includes such labor as that of chief engineer and assistants, engineers, oilers, wipers, and all other employees whose duties concern the operation of the pumping equipment. Also charge to this account the salaries of the engineering staff assignable to the pumping system. Exclude from this account all maintenance labor which is elsewhere provided for.

b. FUEL. This includes the cost of fuel, whether coal or oil, used under the boilers for the generation of steam, and the cost of fuel used for generating producer gas. Such cost should include all specifically assignable transportation charges incurred in obtaining the delivery of the fuel on the premises of the purchaser.

c. POWER PURCHASED. This includes the cost of all steam, electric current, or water power purchased for the purpose of operating the pumping equipment.

d. MISCELLANEOUS SUPPLIES AND EXPENSES. This includes the cost of all supplies and expenses incurred in operating the pumping plant not provided for in the three preceding sub-accounts, such as water used in boilers, oil and waste, etc.

604. DISTRIBUTION EXPENSES.

Charge to this account the cost of inspecting, guarding and caring for the transmission mains and accessories, storage reservoirs, tanks and standpipes, the cost of inspecting, testing and caring for the distribution mains and accessories, service pipes, meters, etc., and all other expenses in connection with the transmission and distribution of water, except the cost of repairs.

This account may, if desired by the company or required by the commission, be further classified under the following headings which shall be the titles of the special accounts set up hereunder:

a. Transmission Mains and Accessories.
b. Storage Reservoirs, Tanks and Standpipes.
c. Distribution Mains and Accessories.
d. Service Pipes and Stops.
e. Meters, Meter Boxes and Vaults.
f. Fire Hydrants and Cisterns.
g. Fountains, Troughs and Other Equipment.

605. WATER PURCHASED.

Charge this account with the cost of water purchased for the purpose of redistribution and sale. Accounts are to be opened for each company or individual from whom such water is purchased, the account showing the name of the selling company or individual, the rate and the total cost of such water.

II. WATER SUPPLY EXPENSES — MAINTENANCE.

606. REPAIRS OF WATER COLLECTING SYSTEM.

Charge to this account the cost of all labor employed and materials consumed in making repairs to the water collecting system. This includes repairs to lake and river cribs, springs and wells, including the removal of sand and corroded material and repairs to well casings, repairs to filter galleries, etc.; repairs to impounding dams and reservoirs, collecting aqueducts, intakes and supply mains. This in-

cludes the periodical scraping to remove organic growth and incrustation, repairs to masonry of aqueducts and channels, seeking and repairing leaks, repairing piping and replacing worn sections and fittings, calking, protecting exposed parts of undermined supply mains, changing the position of or replacing such mains with the necessary bracing or digging; repaving and repairs to valves, screens and wet wells; repairs and renewals of grating, fish screens and repairs to submerged and exposed cribs, intake towers and other structures, sluice gates, etc.

607. REPAIRS OF PURIFICATION SYSTEM.

Charge to this account the cost of all labor employed and materials consumed in making repairs to the purification system. This includes repairs to settling basins, renewing and washing sand, and repairs to all equipment used in the purification of water by plain sedimentation, sedimentation with coagulation, treatment for softening and removal of iron, algae, etc., purification by slow and rapid sand filtration, repairs to mechanical filters, etc.

608. REPAIRS OF PUMPING SYSTEM.

Charge to this account the cost of all labor employed and material consumed in making repairs to the pumping system. This includes repairs to all buildings, fixtures and apparatus used in connection with the pumping of water, such as furnaces, boilers, engines, pumps, etc., and all appurtenant equipment and appliances. This account may, if desired, be divided into sub-accounts corresponding with accounts Nos. 219-224.

609. REPAIRS OF DISTRIBUTION SYSTEM.

Charge to this account all matters provided for under the following heads, which may, if desired, be carried as sub-accounts hereunder:

a. Repairs of Transmission Mains and Accessories. This includes the cost of repairing, overhauling, changing position of or replacing transmission mains and accessories. It also covers such items as seeking and repairing leaks, repairing pipes and removing and replacing worn sections and fittings, calking, protecting exposed parts of undermined mains, digging and bracing in connection with such work, repaving and repairing manholes, etc., together with all materials and supplies consumed in thawing pipes and scraping to remove incrustations.

b. Repairs of Storage Reservoirs, Tanks and Standpipes. This includes repairs to masonry and linings due to settlement of underlying material, frost action, or from other causes; calking and repairing with cement grouting, asphalt or other waterproof material; painting and calking standpipes and tanks, replacing parts on account of decay or excessive corrosion or electrolysis, and replacement of hoops, repairs to valves, etc.

c. Repairs of Distribution Mains and Accessories. This includes the cost of repairing, overhauling, changing position of or replacing distribution mains and accessories. It also covers such items as seeking and repairing leaks, repairing pipes or removing and replacing worn sections and fittings, calking, protecting exposed parts of undermined mains, digging and bracing in connection with such work, repaving, repairing manholes, and the cost of steam, electricity and other supplies used and expenses incurred in thawing such mains and removing incrustations.

d. Repairs of Service Pipes and Stops. This includes the cost of repairing, overhauling and changing position of water service connections, including such expenses as seeking and repairing leaks, cleaning and scraping out service pipes; repairing and renewing service pipe connections to meters, including stop cocks, service boxes and the cost of repairing the same. Also include hereunder the cost of changing and extending old service pipes to put meter in better location, and the expense for materials and supplies incurred in thawing services.

e. Repairs of Meters, Meter Boxes and Vaults. This includes readjusting, painting, replacing worn gears, wearing parts and dials, testing and repairing old meters, repairing and replacing connections, meter fittings, etc., meter unions and cocks and changing meters for routine tests, etc.

f. Repairs of Fire Hydrants and Cisterns. This includes repairs and renewals of parts, including digging and filling in connections with such repairs, painting hydrants, replacing worn fittings, protecting exposed parts of undermined hydrants and connections, and changing location of hydrants; repairs of masonry and lining of fire cisterns due to settlement of underlying material, frost action or from other causes, calking and repairing with cement grouting, asphalt or other waterproof material, replacing worn parts due to decay or other causes and repairs and renewals of connecting piping and fittings.

g. Repairs of Fountains, Troughs and Other Equipment. This includes the cost of repairs and renewals of parts, painting, repairing foundations and settings, connections, etc.; overhauling and changing position of fountains, troughs and other equipment of the distribution system not above provided for.

610. GENERAL REPAIRS.

Charge to this account the cost of all labor employed and materials consumed in making repairs to general structures and general equipment, such as general offices, general storehouses, general stable buildings, garage, shops, etc., and all equipment connected therewith, for details of which see account No. 233.

611. DEPRECIATION.

This account shall be charged periodically an amount — estimated or determined by some method prescribed by the officials of the company, which will be sufficient to cover the cost of future replacements of tangible property, made necessary on account of gradual wear and tear and obsolescense and inadequacy as have accrued during the period of such property, any portion of the intangible capital as may have expired during the period, and the amount estimated to be necessary to provide a reserve to cover the cost of property destroyed by extraordinary casualties. Amounts charged to this account shall be credited to the account No. 180, "Depreciation Reserve."

Note. — When any property is retired from service, the original money cost thereof — estimated if not known — less salvage, should be charged to the reserve account No. 180, "Depreciation Reserve." The commission will require all companies when requested to report the basis on which such depreciation charges are made.

Note. — The losses of a corporation or municipality operating a water supply system or other public service utility enterprise are progressively increasing with the passage of years for each structure, fixture, or appliance constituting a part of its non-landed, and of some classes its landed permanent properties by reason of depreciation. Depreciation is neither actually nor relatively the same for any two establishments, even for the same industry. For this reason it is impossible to frame concise general rules for making allowances for depreciation which will not in their application be attended with a large margin of possible error. To use such rules without causing errors, those employing them must have for each individual establishment exact data based upon inspection, showing how far and in what respects its actual depreciation differs from that of the average establishment of its class. In the absence of such exact data for each water supply system, however, it is to be assumed that depreciation

takes place according to the average life of the several parts of such system and of water supply plants as a whole.

Until further study and experience or a series of inspections and appraisals at fixed intervals furnished more accurate data, the average life of the various parts of the fixed properties of a water supply enterprise may be assumed to be approximately as follows: For horses, carriages, and laboratory apparatus and appliances, 10 years; water meters, service pipes, office furniture, and general operating equipment, 15 years; boilers, steam pipes, and filtration equipment 20 years; engines, pumping machinery, and wood pipes, 25 years; masonry of filtration plant, cribs, iron water pipes, intakes and connections, fire hydrants, standpipes, and buildings, 50 years; reservoirs, tunnels, and aqueducts, 100 years; and for the water supply system as a whole, 50 years. All these approximations are subject to modifications by reason of any unusual conditions which may shorten or prolong the life estimated above.

When detailed information is wanting for computing depreciation as outlined herein for each and every part of the system, it may be assumed that the current depreciation for the system as a whole is approximately 2 per cent. of the original cost of the system.

III. GENERAL AND MISCELLANEOUS EXPENSES.

612. ADMINISTRATION EXPENSES.

Charge to this account all matters provided for under the following heads:

a. Salaries and Expenses of General Officers. This account includes the salaries, traveling and incidental expenses of all general officers, such as commissioners, president, vice-president, treasurer, secretary, comptroller, general auditor, general manager, assistant general manager, chief engineer, general superintendent, and all other officers whose jurisdiction extends to the entire system and whose services cannot be satisfactorily allocated to the several departments.

b. Salaries and Expenses of General Office Clerks. This account includes the salaries and expenses of all clerks and assistants connected with the general office, except such as may be directly engaged in other departments, in which case their compensation should be charged to such department directly.

c. General Office Supplies and Expenses. This account includes the cost of all general office supplies, such as general administrative stationery, printing, postage, etc., wages of janitors, porters and messengers; rent of rooms in office buildings and all other miscellaneous expenses of general offices.

613. ACCOUNTING AND COMMERCIAL EXPENSES.

Charge to this account all matters provided for under the following heads:

a. Salaries and Expenses of Accounting and Commercial Employees. This account includes the salaries and expenses of meter readers, employees engaged in delivering bills for water, bookkeepers and all clerks having to do with consumers' accounts.

b. Accounting and Commercial Office Supplies and Expenses. This account includes the cost of all office supplies in the commercial department, such as stationery, printing, postage, etc., rent of office rooms, and all other incidental expenses of the commercial office.

614. BUSINESS PROMOTION EXPENSES.

Charge to this account all expenses incurred for the purpose of promoting and extending the water service business of the accounting person or company. This includes advertising, canvassing and soliciting, demonstrations, etc., and all expenses connected therewith.

615. LEGAL EXPENSES.

Charge to this account all law expenses except those incurred in the defense and settlement of damage claims. This includes salaries and expenses of all counsel, solicitors and attorneys, their clerks and attendants, and expenses of their offices; cost of law books, printing briefs, legal forms, testimony, and payments of special, notarial, and witness fees not provided for elsewhere; expenses connected with taking depositions, and all law and court expenses not provided for elsewhere.

Note. — The compensation of the general solicitor or counsel, or other attorneys engaged partly in the defense or settlement of damage suits and partly in other legal work, should be properly apportioned between this account and account "Injuries and Damages". No. 616.

616. INJURIES AND DAMAGES.

Charge to this account all expense on account of persons killed or injured and property damaged (other than that owned by the company or municipality) in connection with the operation of the water works. This includes judgments for damages and plaintiff's court costs; salaries, fees, and expenses of surgeons and doctors; nursing, hospital attendance, medical and surgical supplies; fees and expenses of coroners

and undertakers; annual contributions to hospitals; transportation of injured persons; and wages and salaries paid to employees while disabled. Also charge to this account the salaries and expenses of the company's claim agents, adjusters, and their assistants; the compensation of the general solicitor or counsel and other attorneys while engaged in the defense and settlement of damage suits, and all other legal expenses incurred on account of injuries and damages.

617. INSURANCE.

Charge to this account premiums paid to insurance companies for fire, casualty, boiler, fidelity, burglar and all other insurance; also amounts set aside as an insurance reserve.

618. RELIEF DEPARTMENT AND PENSIONS.

Charge to this account all salaries and expenses incurred in connection with conducting a relief department; contributions made to such department; pensions paid to retired employees and all expenses in connection therewith.

619. STORE, GARAGE AND STABLE EXPENSES.

Charge to this account all matters provided for under the following sub-accounts:

a. Store Expenses. This account includes all salaries and expenses in connection with store-rooms, including cost of sending materials and supplies from general store-rooms to branch store-rooms, and the collection of scrap material.

b. Garage and Stable Expenses. This account includes the cost of feed, keep, and shoeing of horses, wages of stablemen and hostlers, veterinary expenses, and all other expenses of stabling horses; also the cost of repairing harness and vehicles. Also include all automobile and garage expenses.

620. MISCELLANEOUS ADJUSTMENTS — BALANCE.

This account includes:

a. Inventory Adjustments — Balance. At least once a year an inventory of materials and supplies should be taken, and the difference (with respect to any particular class of materials and supplies) between the ledger and inventory balances debited or credited to this account, under this head in case it cannot be assigned to a specific account.

Note. — Where materials and supplies have been used in construction as well as in operation, a suitable proportion of the shortages or overages disclosed by the inventory may be debited or credited to "Miscellaneous Construction Expenditures" No. 244.

b. Discounts on Materials and Supplies.— Cr. Credit to this account under this head all discounts received through the prompt payment of bills for materials and supplies consumed in operation, unless such discounts are applied to the particular bills.

c. Duplicate Water Charges — Cr. Credit to this account under this head all charges made to any accounts in water operating expenses for any water or other product of water operations of the corporation consumed in such operations.

d. Water Expenses Transferred — Cr. Credit to this account under this head the proportion of operating expenses, including depreciation and other amortization as well as repairs, chargeable to other coordinate departments (such as electric or other departments) within the same corporation, but defrayed in the first instance by the water department.

Note. — This account should not be credited with any allowance in the nature of rent or return upon the cost or value of property.

e. Joint Operating Expenses — Cr. When any plant or equipment is maintained or operated by the accounting corporation for the joint benefit of itself and others under an arrangement for apportioning (on the basis of the relative amounts of benefit to the several participants) the operating expenses, the portion of such expenses chargeable to others under the arrangement should be credited to this account under this head. The portion so credited should not include any allowance for profit or return upon the value of such property.

621. MISCELLANEOUS GENERAL EXPENSES.

Charge to this account all miscellaneous general expenses not elsewhere provided for and which are of such unimportant character as not to warrant the opening of separate accounts therefor.

TENTATIVE FORM OF REPORT

The form of report which will be prescribed by the commission for water companies will contain the following schedules, and each company will be required to report all items thereof applicable to the operations of such reporting company:

SCHEDULE OF BALANCE SHEET ACCOUNTS

ASSET SIDE

FIXED CAPITAL

FIXED CAPITAL INSTALLED PRIOR TO JANUARY 1, 1922 .....
FIXED CAPITAL INSTALLED SINCE DECEMBER 31, 1921 .....
COST OF FIXED CAPITAL PURCHASED .....
CONSTRUCTION WORK IN PROGRESS .....
FIXED CAPITAL IN OTHER DEPARTMENTS ...

CURRENT ASSETS

CASH .....
NOTES RECEIVABLE .....
ACCOUNTS RECEIVABLE .....
INTEREST AND DIVIDENDS RECEIVABLE .....
MATERIALS AND SUPPLIES .....
PREPAID ACCOUNTS .....
MISCELLANEOUS CURRENT ASSETS .....

MISCELLANEOUS ASSETS

INVESTMENTS IN AFFILIATED COMPANIES ..
MISCELLANEOUS INVESTMENTS .....
SINKING FUNDS .....
MISCELLANEOUS SPECIAL FUNDS .....
SPECIAL DEPOSITS .....

SUSPENSE ACCOUNTS

UNAMORTIZED DEBT DISCOUNT AND EXPENSE .....
PROPERTY ABANDONED .....
JOBBING ACCOUNTS .....
CLEARING OR APPORTIONMENT ACCOUNTS ..
MISCELLANEOUS SUSPENSE .....

ADJUSTMENT ACCOUNTS

DISCOUNT ON CAPITAL STOCK .....
REACQUIRED SECURITIES .....
TREASURY SECURITIES .....
PROFIT AND LOSS DEFICIT .....

LIABILITY SIDE

CAPITAL STOCK .....
PREMIUM ON CAPITAL STOCK .....
LONG TERM DEBT .....
RECEIVERS' CERTIFICATES .....

CURRENT LIABILITIES

NOTES PAYABLE .....
ACCOUNTS PAYABLE .....
CONSUMERS' DEPOSITS .....
MATURED INTEREST UNPAID .....
DIVIDENDS DECLARED .....
MATURED LONG TERM DEBT UNPAID .....
MISCELLANEOUS CURRENT LIABILITIES .....

ACCRUED LIABILITIES

TAXES ACCRUED .....
INTEREST ACCRUED .....
MISCELLANEOUS ACCRUED LIABILITIES .....
ADVANCES FROM AFFILIATED COMPANIES ...

RESERVES

DEPRECIATION RESERVE .....
CASUALTIES AND INSURANCE RESERVE .....
UNAMORTIZED PREMIUM ON DEBT .....
SINKING FUND RESERVE .....
CONTRIBUTIONS FOR EXTENSIONS .....
CONTINGENCY RESERVE .....
MISCELLANEOUS RESERVES .....
MISCELLANEOUS UNADJUSTED CREDITS .....
PROFIT AND LOSS SURPLUS .....

SCHEDULE OF INCOME ACCOUNTS

OPERATING REVENUES .....
OPERATING EXPENSES .....
NET REVENUE FROM WATER OPERATIONS
REVENUE FROM OTHER OPERATIONS .....
EXPENSES OF OTHER OPERATIONS .....
NET REVENUE FROM OTHER OPERATIONS
TOTAL NET OPERATING REVENUES .....
UNCOLLECTIBLE OPERATING REVENUES .....
TAXES ASSIGNABLE TO OPERATIONS: .....
Federal Taxes $ .....
State Taxes $ .....
Municipal Taxes $ .....
Total Taxes .....
DEDUCTIONS FROM NET OPERATING REVENUE
OPERATING INCOME .....
NON-OPERATING INCOME: .....
PROFIT ON MERCHANDISE SALES .....
PROFIT ON PIPING AND CONNECTIONS .....
RENTS FROM LAND, BUILDINGS OR APPARATUS .....
INTEREST AND DIVIDENDS .....
MISCELLANEOUS NON-OPERATING INCOME ..
TOTAL NON-OPERATING INCOME .....
GROSS INCOME .....
DEDUCTIONS FROM GROSS INCOME: .....
INTEREST ON LONG TERM DEBT .....
MISCELLANEOUS INTEREST DEDUCTIONS ....
RENT FOR LEASE OF OTHER WATER PLANT AND EQUIPMENT .....
TAXES ASSIGNABLE TO NON-OPERATIONS ...
SINKING FUND APPROPRIATIONS .....
AMORTIZATION OF PREMIUM ON DEBT—CREDIT .....
AMORTIZATION OF DEBT DISCOUNT AND EXPENSE .....
MISCELLANEOUS DEDUCTIONS FROM GROSS INCOME .....
TOTAL DEDUCTIONS FROM GROSS INCOME
NET INCOME .....
DISPOSITION OF NET INCOME: .....
DIVIDEND APPROPRIATIONS OF INCOME .....
ON COMMON STOCK .....
% on $ payable .....
% on $ payable .....
ON PREFERRED STOCK .....
% on $ payable .....
% on $ payable .....
MISCELLANEOUS APPROPRIATIONS OF NET INCOME .....
TAXES ON NET INCOME .....
TOTAL APPROPRIATIONS OF INCOME .....
AMOUNT TRANSFERRED TO PROFIT AND LOSS ACCOUNT .....

SCHEDULE OF PROFIT AND LOSS ACCOUNTS

PROFIT AND LOSS ACCOUNT

DEBIT

BALANCE AT BEGINNING OF YEAR .....
BALANCE TRANSFERRED FROM INCOME ACCOUNT .....
DIVIDEND APPROPRIATIONS OF SURPLUS ....
MISCELLANEOUS DEBITS .....

CREDIT

BALANCE AT BEGINNING OF YEAR .....
BALANCE TRANSFERRED FROM INCOME ACCOUNT .....
APPROPRIATIONS FROM MUNICIPAL FUNDS (FOR MUNICIPAL PLANTS ONLY) .....
MISCELLANEOUS CREDITS .....

SCHEDULE OF OPERATING REVENUE ACCOUNTS

EARNINGS FROM COMMERCIAL SALES .....
a. *Commercial Earnings — Flat Rate* .....
b. *Commercial Earnings — Metered* .....
EARNINGS FROM INDUSTRIAL SALES .....
a. *Earnings from Industrial Sales — Flat Rate* .....
b. *Earnings from Industrial Sales — Metered*
EARNINGS FROM SALES TO OTHER WATER COMPANIES .....
EARNINGS FROM MUNICIPAL HYDRANT RENTALS .....
EARNINGS FROM PRIVATE FIRE PROTECTION
EARNINGS FROM SALES FOR STREET SPRINKLING .....
EARNINGS FROM SALES TO MUNICIPAL DEPARTMENTS .....
MISCELLANEOUS EARNINGS FROM OPERATION

SCHEDULE OF OPERATING EXPENSE ACCOUNTS

I. WATER SUPPLY EXPENSES — OPERATIONS.

COLLECTING SYSTEM EXPENSES .....
- a. *Reservations and Drainage Area* .....
- b. *Impounding Dams and Reservoirs* .....
- c. *Lake and River Cribs* .....
- d. *Springs and Wells* .....
- e. *Infiltration Galleries and Tunnels* .....
- f. *Collecting Conduits and Reservoirs* .....
- g. *Gravity Intakes and Suction Mains* .....
- h. *Aqueducts and Supply Mains* .....

PURIFICATION SYSTEM EXPENSES .....
- a. *Sedimentation and Coagulation* .....
- b. *Softening and Iron Removal* .....
- c. *Filtration* .....
- d. *Chemical Treatment* .....
- e. *Clear Water Basins* .....

PUMPING SYSTEM EXPENSES .....
- a. *Operating Labor* .....
- b. *Fuel* .....
- c. *Power Purchased* .....
- d. *Miscellaneous Supplies and Expenses* ....

DISTRIBUTION EXPENSES .....
- a. *Transmission Mains and Accessories* .....
- b. *Storage Reservoirs, Tanks and Standpipes*
- c. *Distribution Mains and Accessories* .....
- d. *Service Pipes and Stops* .....
- e. *Meters, Meter Boxes and Vaults* .....
- f. *Fire Hydrants and Cisterns* .....
- g. *Fountains, Troughs and Other Equipment*

WATER PURCHASED .....

II. WATER SUPPLY EXPENSES — MAINTENANCE.

REPAIRS OF WATER COLLECTING SYSTEM ...
REPAIRS OF PURIFICATION SYSTEM .....
REPAIRS OF PUMPING SYSTEM .....
REPAIRS OF DISTRIBUTION SYSTEM .....
- a. *Repairs of Transmission Mains and Accessories* .....
- b. *Repairs of Storage Reservoirs, Tanks and Standpipes* .....
- c. *Repairs of Distribution Mains and Accessories* .....
- d. *Repairs of Service Pipes and Stops* .....
- e. *Repairs of Meters, Meter Boxes and Vaults*
- f. *Repairs of Fire Hydrants and Cisterns* ..
- g. *Repairs of Fountains, Troughs and Other Equipment* .....

GENERAL REPAIRS .....
DEPRECIATION .....

III. GENERAL AND MISCELLANEOUS EXPENSES.

ADMINISTRATION EXPENSES .....
- a. *Salaries and Expenses of General Officers*
- b. *Salaries and Expenses of General Office Clerks* .....
- c. *General Office Supplies and Expenses* ....

ACCOUNTING AND COMMERCIAL EXPENSES ..
- a. *Salaries and Expenses of Accounting and Commercial Employees* .....
- b. *Accounting and Commercial Office Supplies and Expenses* .....

BUSINESS PROMOTION EXPENSES .....
LEGAL EXPENSES .....
INJURIES AND DAMAGES .....
INSURANCE .....
RELIEF DEPARTMENT AND PENSIONS .....
STORE, GARAGE AND STABLE EXPENSES .....
- a. *Store Expenses* .....
- b. *Garage and Stable Expenses* .....

MISCELLANEOUS ADJUSTMENT BALANCE .....
- a. *Inventory Adjustment Balance* .....
- b. *Discount on Material and Supplies — Cr.*
- c. *Duplicate Water Charges — Cr.* .....
- d. *Water Expenses Transfer — Cr.* .....
- e. *Joint Operating Expenses — Cr.* .....

MISCELLANEOUS GENERAL EXPENSES .....

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